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14 APRIL 1987

China Report

POLITICAL, SOCIOLOGICAL AND MILITARY AFFAIRS

PRC STATE COUNCIL BULLETIN

No 7, 31 MARCH 1986



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CHINA REPORT
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PRC STATE COUNCIL BULLETIN
No 7, 31 MARCH 1986

Beijing ZHONGHUA RENMIN GONGHEGUO GUOWUYUAN GONGBAO [PRC STATE COUNCIL BULLETIN] in Chinese 31 Mar 86

[This volume contains selected translations from the PRC STATE COUNCIL BULLETIN. Items marked (previously published) and (previously covered) have appeared in other JPRS or FBIS publications, and are cross-referenced wherever possible.]

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/6091

PRC INVESTMENT PROTECTION AGREEMENT WITH SINGAPORE

Beijing PRC STATE COUNCIL BULLETIN in Chinese No 7, 31 Mar 86 pp 174-182

[Agreement Between the Governments of the PRC and the Republic of Singapore on Investment Promotion and Protection (21 November 1985); The Chinese and Singaporean sides exchanged diplomatic notes affirming that respective legal procedures necessary for the application of this agreement have already been taken. This agreement came into effect on 7 February 1986]

[Text] The Government of the PRC and the Government of the Republic of Singapore (hereinafter referred to respectively as "contracting party"),

Desiring to further promote economic cooperation between the two countries and, in particular, to create favorable conditions for nationals and companies of one country to invest in the territory of the other country on the basis of equality and mutual benefit,

Recognizing that the encouragement and mutual protection of such investments shall spur the business initiative of the nationals and companies and promote the prosperity of the two countries,

Have agreed as follows:

Article 1: Definitions

For the purpose of this agreement:

1. "Investment" means any kind of assets as permitted by a contracting party in accordance with its laws and regulations, and in particular:
 - i) movable, immovable, and other property rights, such as mortgages, right of use, right of lien, or right of pledge;
 - ii) shares, stocks, bonds and similar interest;
 - iii) ownership of money or any contracted ownership having a financial value;

iv) copyright, industrial property rights (such as patents, trademarks and industrial designs), technologies, technological processes, reputation, and goodwill;

v) business concessions conferred by law or by contract, including concessions related to the prospecting of natural resources, cultivation, extraction, or exploitation.

2. "Returns" means monetary returns yielded by an investment, including profits, interests, capital gains, bonuses, royalties or fees.

3. "Nationals" means:

- i) In respect of the PRC: Individuals deriving their status as nationals of the PRC by its laws;
- ii) In respect of Singapore: Singaporean citizens in the sense used in the Constitution of the Republic of Singapore.

4. "Companies" means:

- i) In respect of the PRC, corporations or other legal persons incorporated or constituted in the territory under its law;
- ii) In respect of Singapore, corporations, enterprises, associations or organizations, regardless of whether they are legal persons, incorporated, constituted or registered under the law in force in the Republic of Singapore.

Article 2: Application of This Agreement

1. This agreement shall only apply:

- i) In respect of investments in the territory of the PRC, to all investments made by nationals and companies of the Republic of Singapore which have been specifically approved in writing by organs designated by the Government of the PRC and which are deemed appropriate on this basis.
- ii) In respect of investments in the territory of Singapore, to all investments made by nationals and companies of the PRC which have been specifically approved in writing by organs designated by the Government of the Republic of Singapore and which are deemed appropriate on this basis.

2. The provisions of the previous section shall apply to all investments made by nationals and companies of a contracting party in the territory of the other contracting party before or after the entry into force of this agreement.

Article 3: Promotion and Protection of Investments

1. Each contracting party shall in its territory encourage and create favorable conditions for nationals and companies of the other contracting party to make investments in compliance with its general economic policies.
2. Investments meeting the conditions of Article 2 shall be given public and private treatment and protection.

Article 4: Most Favored-Nation Clause

Subject to the provisions of articles 5, 6 and 11, neither contracting party shall in its territory subject investments made by the other contracting party or returns of such investments as permitted by the provisions of Article 2 of this agreement to treatment less favorable than that which it accords to investments or returns of nationals and companies of a third state.

Article 5: Exceptions

1. The provisions of this agreement in respect of treatment not less favorable than that which one accords to nationals and companies of any third state shall in no way be construed so as to impose on a contracting party the obligation to accord to nationals and companies of the other contracting party treatment, favors or privileges arising from the following:
 - i) any regional arrangements regarding customs, finance, tariff, or trade (including free trade zones) or agreements which may lead to the implementation of such regional arrangements;
 - ii) arrangements with a third state or other states within the same geographical zone to carry out regional cooperation in special projects in the economic, social, labor, industrial, or financial fields.
2. The provisions of this agreement shall not apply to matters of taxation in the territory of either contracting party. Such matters of taxation shall be subject to the treaty on the avoidance of double taxation concluded between the contracting parties and the domestic laws of the contracting parties.

Article 6: Expropriation

1. Investments of nationals or companies of either contracting party shall not be expropriated, nationalized, or subjected to measures having effect equivalent to expropriation or nationalization except for purposes permitted by law, on a basis of nondiscrimination and against compensation in accordance with its law. Such compensation shall be effectively realizable and made without undue delay. It shall be subject to the laws of the contracting party concerned and shall amount to the value immediately before measures of expropriation or nationalization or measures having effect equivalent to expropriation or nationalization were taken. Compensation shall be freely realizable and transferable.

2. The legality of measures of expropriation or nationalization or measures having effect equivalent to expropriation or nationalization may, upon the request of nationals or companies concerned, be reviewed by the competent courts of the contracting party taking the measures in accordance with its legal procedures.

3. Where a contracting party expropriates, nationalizes, or subjects to measures having effect equivalent to expropriation or nationalization the assets of a company which is incorporated or constituted under the law in force in any part of its territory, and in which nationals or companies of the other contracting party own shares, it shall ensure that the provisions of Paragraph 1 of this article are applied to the extent necessary to guarantee compensation as specified in Paragraph 1 to concerned nationals or companies of the other contracting party.

Article 7: Compensation for Losses

Nationals or companies of one contracting party whose investments in the territory of the other contracting party suffer losses owing to war or other armed conflict, a state of national emergency, revolt, insurgence or riot in the territory of the latter contracting party shall be accorded treatment, as regards restoration, reparation, compensation or any other measures taken by the latter contracting party, no less favorable than that which the latter contracting party accords to nationals or companies of any third state.

Article 8: Remittance

1. Each contracting party shall, in accordance with its laws and regulations and on a nondiscriminatory basis, ensure nationals and companies of the other contracting party the free transfer of their invested capital and returns of investments and properties, including:

- i) profit, capital gains, bonuses, royalties, interest and other recurrent income from an investment;
- ii) proceeds of total or partial liquidation;
- iii) payments made for the reimbursement of credit arrangements for investments;
- iv) license fees in respect of Paragraph 4, Section i) of Article 1;
- v) payments made with respect to fees for technical assistance, technical services, or management;
- vi) payments made with respect to contracts;
- vii) wages of nationals of the other contracting party working in an investment in the territory of one contracting party.

2. The provisions of the previous section shall in no way affect the free transfer of compensation paid in accordance with Article 6 of this agreement.

Article 9: Exchange Rate

Transfers pursuant to articles 6 to 8 of this agreement shall be made at the market rate of exchange of freely convertible currencies at the date of transfer. In the absence of such a rate of exchange, the official rate shall be applicable.

Article 10: Law

To avoid misunderstanding, it is hereby declared that all investments shall be subject to the law in force in the territory of the contracting party accepting the investment in addition to being subjected to this agreement.

Article 11: Prohibition and Restriction

The provisions of this agreement shall in no way restrict the rights of either contracting party to impose prohibition or restriction of any kind or the rights to take other actions for the purpose of protecting its fundamental safety and interests, safeguarding public health, or preventing animal or plant diseases.

Article 12: Subrogation

1. If either contracting party (or its designated agency, institution, statutory body, or company) makes payment to its nationals or companies with respect to claims related to their total or partial investments in accordance with this agreement, the other contracting party shall recognize that the former contracting party is entitled by virtue of subrogation to exercise the rights and enforce the claims of its nationals or companies. The subrogated rights or claims may not exceed the rights or claims of the original investors.

2. Payments made by either contracting party (or its designated agency, institution, statutory body, or company) to its nationals or companies shall have no effect on the rights of that national or company to make claims on the other contracting party in accordance with Article 13 of this agreement.

Article 13: Disputes Over Investment

1. Disputes between nationals or companies of one contracting party and the other contracting party over investment in the territory of the latter contracting party should, as far as possible, be settled through friendly consultation between the parties concerned.

2. If the dispute cannot be settled within 6 months, either party concerned is entitled to submit the case to the competent courts of the contracting party accepting the investment.

3. If a dispute involving the amount of compensation resulting from expropriation, nationalization, or measures having effect equivalent to expropriation or nationalization as mentioned in Article 6 cannot be settled within 6 months after resorting to the procedure specified in Section 1 of this article by the national or company concerned, it may be submitted to an international arbitral tribunal established by both parties.

If the national or company concerned has resorted to the procedure specified in Section 2 of this article, the provisions of this section shall not apply.

4. The international arbitral tribunal mentioned above shall be especially constituted in the following way: Each party concerned shall appoint an arbitrator. The two arbitrators shall appoint a third arbitrator as chairman. The arbitrators shall be appointed within 2 months and the chairman within 4 months from the date when one party concerned notifies the other party of its submission of the dispute to arbitration.

5. If the necessary appointments are not made within the period specified in Section 4, either party may, in the absence of any other agreement, request the chairman of the Arbitration Institute of the Stockholm Chamber of Commerce to make the necessary appointments.

6. Subject to the following provisions, the arbitral tribunal shall determine its own arbitral procedures with reference to the "Convention on the Settlement of Investment Disputes Between States and Nationals of Other States" done at Washington on 18 March 1965.

7. The arbitral tribunal shall reach its decision by majority vote.

8. The decision of the arbitral tribunal shall be final and binding. Both parties shall abide by the decision and enforce the terms of the decision.

9. The arbitral tribunal shall state the basis of its decision and state reasons upon the request of either party concerned.

10. Each party concerned shall bear the cost of its own arbitrator and its representation in the arbitral proceedings. The cost of the chairman in discharging his arbitral function and the remaining costs of the tribunal shall be borne equally by the parties concerned. However, the arbitral tribunal may, in its decision, decide to make one party bear heavier costs. The decision shall be binding on both parties.

11. Arbitration should, as far as possible, be carried out in Singapore.

12. The provisions of this article shall not exclude both contracting parties from using the procedures specified in Article 14 where a dispute concerns the interpretation or application of this agreement.

Article 14: Disputes Between the Contracting Parties

1. Disputes between the contracting parties concerning the interpretation or application of this agreement should, as far as possible, be settled through diplomatic channels.
2. If a dispute cannot be settled, it shall, upon the request of either contracting party, be submitted to arbitration. The arbitral tribunal shall comprise three arbitrators. Each contracting party shall appoint an arbitrator, and a third arbitrator shall be appointed as chairman of the tribunal with the approval of the contracting parties.
3. Within 2 months of the receipt of the request for arbitration, each contracting party shall appoint its arbitrator. The third arbitrator shall be appointed by the contracting parties within the subsequent 2 months.
4. If within 4 months of the receipt of the request for arbitration the arbitral tribunal cannot be constituted, either contracting party may, in the absence of any other agreement, invite the president of the International Court of Justice to make the necessary appointments. If the president is a national of either contracting party or is prevented from making such appointments, the vice president shall be invited to make the appointments. If the vice president is a national of either contracting party or is prevented from making such appointments, the member of the International Court of Justice next in seniority who is not a national of either contracting party shall be invited to make the necessary appointments.
5. The arbitral tribunal shall reach its decision by majority vote.
6. The decision of the arbitral tribunal is final and the contracting parties shall abide by and enforce the terms of the decision.
7. Each contracting party shall bear the cost of its own member of the tribunal and of its representation in the arbitral proceedings, and shall share the cost of the chairman and the remaining costs. However, the arbitral court may, in its decision, decide to make one contracting party bear a larger proportion of the cost, and this decision shall be binding on both contracting parties.
8. In addition, the arbitral tribunal determines its own procedures and regulations.

Article 15: Other Obligations

If the laws of either contracting party or if the international agreements entered into by the contracting parties to this date or subsequent to this agreement accord more favorable treatment to investments of nationals or companies of the other contracting party, this agreement shall have no effect on the said treatment. Subject to the provisions of this agreement, each contracting party shall, in accordance with its laws, honor the commitments it or its nationals or companies had made with nationals or companies of the other contracting party with respect to investments.

Article 16: Entry Into Force, Duration, and Termination

1. Each contracting party shall notify the other contracting party on the completion of respective legal procedures necessary for the entry into force of this agreement. This agreement shall enter into force on the 30th day after the date on which the last notification is made.
2. This agreement shall remain in force for 15 years and shall continue in force thereafter unless, after the initial 14 years, either contracting party notifies in writing the other contracting party of its intention to terminate this agreement. The notice of termination shall become effective 1 year after it has been received by the other contracting party.
3. With respect to investments made prior to the date when the notice of termination of this agreement becomes effective, the provisions of articles 1 to 15 shall remain in force for a further period of 15 years from that date.

In witness thereof the undersigned, duly authorized thereto by their respective governments, have signed this agreement.

Done in duplicate at Beijing on 21 November 1985 in the English and Chinese languages, both texts being equally authentic.

Wei Yuming [7614 3768 2494]
(signed)
For the Government
of the PRC

Lee Hsien Loong
(signed)
For the Government of the
Republic of Singapore

21 November 1985

His Excellency Vice Minister Wei Yuming,
Ministry of Foreign Economic Relations and Trade of the PRC

Dear Sir:

With reference to Article 13 of the Agreement Between the Government of the PRC and the Government of the Republic of Singapore on the Promotion and Protection of Investment which we have signed today, it gives me great honor to state this understanding of both parties: Once the Government of the PRC becomes a member state of the Convention on the Settlement of Investment Disputes Between States and Nationals of Other States (hereinafter referred to as "The Convention") signed at Washington on 18 March 1965, the contracting parties shall promptly hold consultations on the possibility of extending the scope of investment disputes that may be submitted to the International Court for the Settlement of Investment Disputes for mediation and arbitration. With respect to the extended scope agreed upon by the contracting parties through consultation, the treatment accorded to the Republic of Singapore by the PRC shall not be less favorable than that which it accords to other states under the same circumstances. The new provision agreed upon by the contracting parties shall take the place of Article 13.

Please affirm the above as the correct statement of the understanding of both parties.

May I avail myself of this opportunity to renew to you the assurances of my highest considerations.

Lee Hsien Loong (signed)
For the Government of the
Republic of Singapore

* * *

21 November 1985

His Excellency Brigadier General Lee Hsien Loong,
Minister of State for Trade and Industry

Dear Sir:

It is a great honor indeed to have received your letter dated 21 November 1985, the content of which reads:

"With reference to Article 13 of the Agreement Between the Government of the PRC and the Government of the Republic of Singapore on the Promotion and Protection of Investment which we have signed today, it gives me great honor to state this understanding of both parties: Once the Government of the PRC becomes a member state of the Convention on the Settlement of Investment Disputes Between States and Nationals of Other States (hereinafter referred to as 'The Convention') signed at Washington on 18 March 1965, the contracting parties shall promptly hold consultations on the possibility of extending the scope of investment disputes that may be submitted to the International Center for the Settlement of Investment Disputes for mediation and arbitration. In respect of the extended scope agreed upon by the contracting parties through consultation, the treatment accorded to the Republic of Singapore by the PRC shall not be less favorable than that which it accords to other states under the same circumstances. The new provision agreed upon by the contracting parties shall take the place of Article 13.

"Please affirm the above as the correct statement of the understanding of both parties."

I hereby affirm the above understanding of both parties.

May I avail myself of this opportunity to renew to you the assurances of my highest considerations.

Wei Yuming (signed)
For the Government of the PRC

* * *

21 November 1985

His Excellency Vice Minister Wei Yuming,
Ministry of Foreign Economic Relations and Trade of the PRC

Dear Sir:

With reference to Article 8 of the Agreement Between the Government of the PRC and the Government of the Republic of Singapore on the Promotion and Protection of Investment which we have signed today, it gives me great honor to affirm this understanding of both parties: If nationals and companies of the Republic of Singapore with investments in the PRC cannot carry out free transfer as described in Section 1 of Article 8 on account of the requirements of the laws and regulations of the PRC governing that transfer, they may petition to the competent departments of the Government of the PRC. The said departments shall accord them the most favorable considerations and provide every assistance to facilitate the transfer.

Please affirm the above as the correct statement of the understanding of both parties.

May I avail myself of this opportunity to renew to you the assurances of my highest considerations.

Lee Hsien Loong (signed)
For the Government of the
Republic of Singapore

* * *

21 November 1985

His Excellency Brigadier General Lee Hsien Loong,
Minister of State for Trade and Industry

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It is a great honor indeed to have received your letter dated 21 November 1985, the content of which reads:

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"Please affirm the above as the correct statement of the understanding of both parties."

I hereby affirm the above understanding of both parties.

May I avail myself of this opportunity to renew to you assurances of my highest considerations.

Wei Yuming (signed)
For the Government of the PRC

/6091
CSO: 4005/171

REGULATIONS ON QUALITY PERMITS FOR EXPORTS

Beijing PRC STATE COUNCIL BULLETIN in Chinese No 7, 31 Mar 86 pp 186-190

[Provisional Regulations on Quality Permits for Mechanical and Electrical Products for Export (Promulgated on 20 September 1986 by the State Administration of Import and Export Commodities Inspection, the State Economic Commission, and the Office for the Export of Mechanical and Electrical Products Under the State Council)]

(Guojian Jianzi [0948 2914 7003 1316] (1986) No 59)

[Text]

Chapter I: General Provisions

Article 1: These regulations are formulated for the purpose of strengthening control over the quality of mechanical and electrical products for export, enhancing the prestige and competitiveness of Chinese mechanical and electrical products in the international market, and increasing foreign exchange earnings through exports.

Article 2: These regulations shall apply to key mechanical and electrical products for export produced by factories throughout the country. Catalogs of specific products shall be issued separately by the State Administration of Import and Export Commodities Inspection in conjunction with the competent departments for the respective mechanical and electrical products. Where a manufacturing factory is granted quality permits for a particular mechanical or electrical product for export (hereinafter referred to as quality permit), it only shows that the said manufacturing factory has measured up to the quality requirements for exports.

Article 3: The State Administration of Import and Export Commodities Inspection (hereinafter referred to as State Commodities Inspection Administration), in conjunction with the competent departments for the respective mechanical and electrical products, shall be responsible for exercising overall leadership with respect to quality permits and for organizing and coordinating the work of units, formulating methods for the evaluation of quality necessary for the issuance of quality permits, authorizing testing units, and approving the issuance or revocation of quality permits.

Article 4: Products subject to quality permits must, prior to export, obtain quality permits within the prescribed period of time, and export without quality permits is prohibited. In special cases, export has to be approved by the State Commodities Inspection Administration and the competent departments for the respective mechanical and electrical products.

Chapter II. Conditions for the Issuance of Quality Permits to Factories

Article 5: Factories producing mechanical and electrical products for export must measure up to the following conditions:

- i) have comprehensive, integrated and correct product drawings, technical conditions and testing rules;
- ii) have production equipment, technological installations, measuring tools, testing devices, and equipment for conducting experiments that can guarantee the quality of products, parts and raw and semiprocessed materials;
- iii) have a contingent of professional technical personnel, skilled technical workers, and measuring and testing personnel who are not only capable of ensuring product quality and normal production but can carry out production, experiments and testing strictly in accordance with the drawings and technical standards;
- iv) have already set up an effective quality assurance system for the products for which quality permits are applied;
- v) have established management and evaluation systems for civilized production and can balance production and fulfill export tasks on time.

Article 6: The quality of mechanical and electrical products for export must conform to international technical standards currently in use. Where international standards are absent, state standards and the standards specified by the competent departments of the respective mechanical and electrical products (professional standards) shall be observed. In the absence of the said standards, the standards of enterprises approved by competent departments (bureaus) shall be adhered to, and the products must measure up to the specifications for top-grade goods promulgated by the competent departments for respective mechanical and electrical products.

Should foreign clients have specific requirements, the technical specifications for products specified in contracts signed between the enterprises and the clients shall be taken as the basis for the testing of the said product for export.

With respect to nonstandard products and products for which the above-mentioned quality standards are inapplicable or unsuitable for the time being, which have been exported for years, produced in steady qualities and well-received abroad, technical specifications formulated by the enterprises themselves and approved by the State Commodities Inspection Administration

and the competent department of the respective mechanical and electrical products shall be taken as transitional standards and implemented as such.

Article 7: The packaging of mechanical and electrical products for export must measure up to the packaging specifications of the State Economic Commission, the State Commodities Inspection Administration, and the competent departments of the respective mechanical and electrical products for the export of such goods.

Chapter III: Inspection and Testing Units

Article 8: Inspection and testing units shall be impartial and relatively independent. They shall be jointly assessed and approved by the State Commodities Inspection Administration and the competent departments of the respective mechanical and electrical products and duly authorized with the issuance of credentials and a special chop for quality permits. The work of these inspection and testing units in inspecting and testing products for export is subject to the supervision and guidance of the State Commodities Inspection Administration and the competent departments of respective mechanical and electrical products. The inspection and testing units shall be responsible for inspecting and testing products and examining factories before issuing permits. The credentials and special chop for quality permits may be withdrawn by the State Commodities Inspection Administration and the competent departments of the respective mechanical and electrical products if they make grave errors in their work.

Article 9: The inspection and testing units shall be responsible for inspecting and testing products and examining the production conditions of factories. They shall also make recommendations as to whether quality permits should be issued or revoked and, upon approval by the higher authorities, issue or revoke quality permits and send notice of goods disqualified.

Article 10: The inspection and testing units shall undertake to draw up rules for the implementation of quality permits and, after approval by the State Commodities Inspection Administration and the competent departments of the respective mechanical and electrical products, duly issue them for implementation.

Article 11: The inspection and testing units shall, in accordance with the principles of nonprofitmaking and frugality, charge the recipient units for actual services rendered and materials expended in discharging the work of issuing quality permits. They shall formulate specific rates of charges in accordance with the charging methods drawn up by the competent departments of the respective mechanical and electrical products and implement them after approval by the State Commodities Inspection Administration and the competent departments of the respective mechanical and electrical products.

Article 12: The inspection and testing units shall keep the techniques of the products inspected and tested and the findings of inspection and testing confidential so as to protect the legal rights and interests of the recipient units.

Chapter IV: Procedures of Application and Issuance

Article 13: With respect to products subject to quality permits, the manufacturing factories must apply for quality permits for each variety within the application period prior to export. The manufacturing factories shall obtain the application forms from the local commodities inspection bureau. The application shall be referred to the inspection and testing units concerned after approval by the competent departments of the products concerned in various provinces, autonomous regions and directly governed municipalities, and by the local commodities inspection bureau.

Upon receipt of the application, the inspection and testing units shall undertake to examine the production conditions of the manufacturing factories and sample check the products. Products found to be up to the specifications mentioned in Chapter II shall be duly noted and recommended and, upon the examination and approval of the State Commodities Inspection Administration and the competent departments of the respective mechanical and electrical products, issued quality permits. Inspection in connection with the issuance of quality permits should be made to dovetail with the work of issuing production permits, applying international standards in acceptance and assessing the quality grades of products. As a rule inspection shall not be repeated for items of identical nature within the period of validity.

Article 14: When the structure, techniques, prescriptions, production conditions, technical standards, and so on of products which have already been issued quality permits have undergone major alterations, a new application has to be submitted. For the export of new products, application can only be submitted upon the completion of trial production and the achievement of stable production after verification and finalization in accordance with the procedures for the management of new products.

Article 15: For products which were not approved the first time, a new application may be submitted 6 months after the date the notice of disqualified goods was signed. If still not approved, a new application cannot be made until after the end of another year.

Chapter V: Export Inspection and Control

Article 16: The State Commodities Inspection Administration puts the products subject to quality permits within the legal scope of inspection. Before exporting the products, export departments must report to the local commodities inspection bureau with the export quality permits in accordance with commodities inspection procedures. Otherwise requests to carry out inspection shall not be entertained. The customs office may clear such commodities upon the strength of documents of inspection signed by commodities inspection bureaus or clearance stamps on the customs declaration forms.

Article 17: The local commodities inspection bureau and the local competent departments (bureaus) shall jointly undertake to receive applications for export product quality permits from local manufacturing factories and endorse

recommendations as to whether to proceed or dispense with the inspection and examination.

The local commodities inspection bureau shall be responsible for the sampling of products and the sealing of samples, and shall, when the need arises, join the local competent departments (bureaus) in taking part in the work of inspecting and testing products and examining factory conditions, which is the responsibility of the inspection and testing units.

The local commodities inspection bureaus shall undertake to supervise the quality of export products and the system of inspection of factories which have been issued permits, and to endorse and report recommendations on the revocation of export quality permits.

Article 18: Factories which have been issued the permits must regularly report to the local commodities inspection bureaus, the competent departments of enterprises, and the inspection and testing units the state of the quality of their export products, and must promptly forward information regarding major alterations in the technical conditions of products, claims and rejects by foreign clients, as well as major accidents involving quality and how they are handled. They are subject to the supervision of the local commodities inspection bureaus and the inspection and testing units on the matter of the quality of export products.

Chapter VI: The Serial Number, Term of Validity, and Revocation of Quality Permits

Article 19: Quality permits shall be printed centrally by the State Commodities Inspection Administration. Their serial numbers shall be centrally drawn up by the State Commodities Inspection Administration upon approval of the application. A serial number is made up of four parts, namely, the year code (the last two digits), the code of the inspection and testing unit (according to the number of the special chop for quality permits), the product code (according to the Pinyin letters for the series and model of the product), and the ordinal number of the permit (taking three digits). For example, the quality permit for lathe No 1 is (85) 01C001.

Article 20: The term of validity of a quality permit shall in general be 5 years. Upon expiry, a new application has to be submitted and approved. During the period of validity the local commodities inspection bureau or inspection and testing unit shall carry out rechecking at least twice.

Article 21: Within the term of validity, a quality permit may be revoked under any one of the following situations when it is proved to be true after investigation and upon the approval of the State Commodities Inspection Administration and the competent departments of the respective mechanical and electrical products:

- i) when foreign manufacturers and clients raised strong objections on matters relating to quality and twice demanded compensation and the return of merchandise, and the manufacturing factory is found to be responsible;

- ii) when two consecutive lots out of five are found to be not up to standards during export inspection by the local commodities inspection bureau;
- iii) when it is discovered during random rechecking by the inspection and testing units and the local commodities inspection bureaus of factories which have been issued permits that a manufacturing factory or product does not conform to the conditions specified in Chapter II and the requirements are still not met at the end of the stated time.

Article 22: In the revocation of quality permits, the inspection and testing units or local commodities inspection bureaus shall make the recommendations and, after approval has been given by the State Commodities Inspection Administration and the competent departments of the respective mechanical and electrical products, the inspection and testing units shall be notified to revoke and withdraw the permits issued. After the revocation of a quality permit, a new application may be submitted 6 months after the date of revocation.

Chapter VII: Supplementary Provisions

Article 23: Quality permits are not to be forged, transferred, or fraudulently used. When this provision is violated, not only will the quality permit be revoked, but the director of the enterprise and the parties concerned shall be held economically and legally responsible.

Article 24: Units and personnel concerned with the issuance of quality permits must strictly observe the "Discipline in the Work of Issuing Quality Permits for Mechanical and Electrical Products for Export."

Article 25: Apart from those products whose quality permits are issued by the State Commodities Inspection Administration and the competent departments of the respective mechanical and electrical products, all other mechanical and electrical products for export shall have their quality permits issued by the local commodities inspection bureaus and the competent departments (bureaus) of the product in various provinces, autonomous regions, and directly governed municipalities. The procedures of implementation shall be reported to the State Commodities Inspection Administration and the competent department of the respective mechanical and electrical products for the record.

Article 26: The quality inspection and control of export vessels and of products such as electronic components for which quality certification is sought may be handled in accordance with the specifications of the special testing departments and certification agencies concerned and the competent state departments concerned.

Article 27: These regulations shall go into effect on the day they are promulgated. Matters outstanding shall be decided on by the State Commodities Inspection Administration and the competent department of the mechanical or electrical product concerned. The right to interpret these regulations resides in the State Commodities Inspection Administration.

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